

County of Los Angeles CHIEF EXECUTIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION LOS ANGELES, CALIFORNIA 90012 (213) 974-1101 http://ceo.lacounty.gov

August 28, 2007

The Honorable Board of Supervisors County of Los Angeles 383 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, CA 90012

Dear Supervisors:

Board of Supervisors GLORIA MOLINA First District

YVONNE B. BURKE Second District

ZEV YAROSLAVSKY Third District

DON KNABE Fourth District

MICHAEL D. ANTONOVICH Fifth District

APPROVE FIFTH AMENDMENT TO THE AMENDED JOINT POWERS AGREEMENT
WITH THE LOS ANGELES COUNTY SANITATION DISTRICT NO. 2
FOR THE CALABASAS LANDFILL GAS-TO-ENERGY PROJECT;
CERTIFY NEGATIVE DECLARATION; AND
ACCEPT ONE-TIME PAYMENT FOR CONSIDERATION OF POTENTIAL ROYALTIES
(SUPERVISORIAL DISTRICT 3)
(3 VOTES)

IT IS RECOMMENDED THAT YOUR BOARD:

- 1. Acting as a responsible agency, consider the Negative Declaration prepared and adopted by County Sanitation District No. 2 of Los Angeles County as lead agency for the proposed Calabasas Landfill Gas-to-Energy Project, together with any comments received during the public review process, and certify that the Board has independently considered and reached its own conclusions regarding the environmental effects of the project as shown in the Negative Declaration;
- 2. Approve the Fifth Amendment to the Amended Joint Powers Agreement Calabasas Landfill between the County of Los Angeles and the County Sanitation District No. 2 of Los Angeles County (Board Agreement No. 75474); and instruct the Chair to execute the amendment to allow the County Sanitation District No. 2 of Los Angeles County to proceed with the Calabasas Landfill Gas-to-Energy Project and provide present value compensation to the County for potential royalties from the sale of landfill gases.

3. Authorize the Chief Executive Office to accept a one-time payment of \$2,479,736, upon its receipt from the County Sanitation District No. 2 of Los Angeles County as present value consideration for potential royalties from the sale of landfill gases and to deposit such payment into the Calabasas Landfill Net Economic Benefits Account pursuant to the Amended Joint Powers Agreement – Calabasas Landfill.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the recommended actions will amend the Joint Powers Agreement – Calabasas Landfill (Agreement) between the County and the County Sanitation District No. 2 of Los Angeles County (District), allow the District to proceed with the proposed waste-to-energy project, and authorize a one-time payment by the District to the County for potential royalties on the proposed sale of landfill gas generated at the Calabasas Landfill.

The proposed Fifth Amendment to the Agreement provides for the development of a renewable energy project at the Calabasas Landfill and compensation to the County for potential royalties. Under the amendment, the County will grant its rights and interests in the landfill gases at the Calabasas Landfill to the District, to the extent necessary to complete a landfill gas-to-energy 13 megawatt project which will generate 11 megawatts of net power. The County will retain all such rights in excess of those necessary to meet the project's requirements.

The District will be responsible for all costs associated with the development and construction of the project and will assume all other financial risks associated with the project, including ongoing operational costs, variances in the quality and quantity of the landfill gases, and changes in market pricing and regulatory requirements. The District will retain all revenues derived from the proposed project.

The Fifth Amendment to the Agreement was approved by the District on December 13, 2006.

Payment to the County

The recommended amendment also requires a one-time payment to the County of \$2,479,376 by the District to compensate the County for royalties that are anticipated on the sale of energy generated by the proposed project. The proposed payment represents the estimated fair market value of the landfill gas based upon:

 the net present value of a 5.0 percent royalty rate on projected gross energy sales for the first 15 years of operation, which is consistent with industry standards for landfill gas rights and anticipated period of gas production at the Calabasas Landfill; The Honorable Board of Supervisors August 28, 2007 Page 3

- an energy sales price of 6.1 cents per kilowatt-hour, which is based on the California Energy Commission's Market Price Reference for 15-year renewable energy sales contracts; and
- a discount rate of 6.0 percent, which is reflective of current industry standards.

The one-time payment to the County is contingent upon the award of a construction contract for the proposed project. It is not dependent, however, upon the project's completion or its ability to generate electricity.

Upon its receipt, the Chief Executive Office will deposit the one-time payment into the Calabasas Net Economic Benefit Account, which was established under the Agreement to acquire land for the creation or conservation of habitat or the creation, maintenance, and/or operation of visitor-serving uses on publicly-owned habitat in the communities adjacent to the Calabasas Landfill.

FISCAL IMPACT/FINANCING

The cost of developing, constructing, and operating the proposed gas-to-energy project will be borne solely by the District and will be financed through an allocation of Clean Renewable Energy Bonds and cash reserves that have been set aside by the District to fund new landfill gas-to-energy projects.

The one-time payment of \$2,479,376 from the District will be deposited into the Calabasas Net Economic Benefit Account, as previously described in this letter.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

The Calabasas Landfill is owned by the County of Los Angeles and operated, pursuant to a JPA, by the District. Under the JPA, the Sanitation Districts are responsible for monitoring and maintaining the environmental control systems, including the landfill gas collection system. Landfill gas is a natural byproduct of waste decomposition and is comprised of methane (CH4), carbon dioxide (CO2) and trace amounts of other organic compounds. The methane fraction of landfill gas has energy recovery potential as natural gas.

The Districts have a long history of implementing landfill gas-to-energy projects. Until recent years, energy recovery technology suitable for use at the Calabasas Landfill was unavailable because of the low methane content of the gas (25-30 percent). In 2002, a series of microturbines utilizing landfill gas to produce electricity for onsite use were installed. These ten microturbines produce approximately 250 net kilowatts of power. The microturbines require 40-50 percent methane and are only capable of using a select portion of the landfill gas generated at the site. The remaining landfill gas is currently being flared. New technology, in the form of turbines, which run on landfill gas as fuel, is now available which would allow the remainder of the gas to be utilized to produce approximately 11 megawatts of net renewable energy.

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ENVIRONMENTAL DOCUMENTATION

In approving the Fifth Amendment to the Amended Joint Powers Agreement for the Calabasas Landfill, the County is acting as a responsible agency for the proposed energy recovery project at the Calabasas Landfill. Pursuant to the California Environmental Quality Act, County Sanitation District No. 2 of Los Angeles County, as lead agency, adopted a Negative Declaration for this project on March 29, 2007. Execution of the enclosed amendment will not have a significant effect on the environment.

Upon your Board's approval of the Amendment, the Chief Executive Office will file a Notice of Determination with the County Clerk in accordance with Section 21152(a) of the California Public Resources Code.

CONCLUSION

At such time as the recommendation is approved by your Board, please return one copy of this letter and one original Fifth Amendment to the Sanitation Districts and Chief Executive Office (Capital Projects Division).

Respectfully submitted,

WH Top

WILLIAM T FUJIOKA Chief Executive Officer

WTF:JFS:DL JSE:DJT:zu

Attachments

c: County Counsel Sanitation District

NEGATIVE DECLARATION

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Name of Project:

Calabasas Landfill Gas-to-Energy Facility

Project Location:

The project is located at 5300 Lost Hills Road in Agoura, California, 91301, which is just north of the Ventura Freeway (U.S. 101) in unincorporated Los Angeles County.

Entity or Person Undertaking Project:

County Sanitation District No. 2 of Los Angeles County

Project Description:

The Calabasas Landfill is an operating sanitary landfill located near Agoura, California, in unincorporated Los Angeles County. The proposed project consists of installing and operating three Solar Mercury Model 50 gas turbine power generator units and an associated landfill gas compression and treatment system outside the fill footprint on the western side of the landfill, where there are existing cellular utililities, a water tank, and an equipment storage area. The exhaust stack for each gas turbine will be approximately 25 feet high and 4 feet in diameter. Offsite visual impacts from the proposed facility will not be significant due to the high elevation of the site, the surrounding topography, the long distance to any potential receptor, and the visual shielding of an existing soil berm that runs along the western edge of the proposed site. No visible exhaust plumes are expected from the gas turbine stacks. No residential areas are near the proposed site or within any direct visible line of sight.

Natural gas or propane will be used as a backup fuel source, for startup of the gas turbines, and for fuel quality augmentation as needed. If propane is used, the proposed project will include the installation of a propane system, consisting of liquified propane gas (LPG) storage tanks, pumps, vaporizers, pressure regulators and associated Appropriate certifications from the Fire Department or designated appurtenances. Certified Unified Program Agency would be secured for the LPG facility. It is expected that initially two to three truck loads per week of LPG would be delivered to the facility, but then deliveries would diminish over time as adjustments are made to optimize turbine performance with landfill gas. The propane system would be co-located with the proposed landfill gas-to-energy facility. Therefore, no scenic resources or vistas are impacted by the proposed project. If natural gas is used, a 6-inch steel pipe will be installed from a gas transmission main owned by the Southern California Gas Company located south of the landfill to the proposed gas-to-energy facility. The gas line will be buried within or adjacent to the road prism of the main haul road into the landfill and outside the refuse footprint, which consists of already disturbed areas within the landfill property. Therefore, there will be no significant impacts to biological resources. No significant traffic impacts are expected during construction.

Landfill gas is the product of the natural anaerobic (biological) decomposition of solid waste. It is comprised primarily of methane and carbon dioxide. South Coast Air Quality Management District (SCAQMD) Rule 1150.1 requires that landfill gas be

collected and properly managed in order to control emissions and odors, and to prevent public health and safety hazards. At the Calabasas Landfill, wells and trenches have been constructed into the landfill to collect landfill gas. These collectors are attached to header lines on the landfill surface. The header lines are placed under a vacuum, which draws landfill gas from the landfill to a central location for proper management. The landfill gas collection system is extended from time to time as refuse cells are constructed. A Negative Declaration (State Clearinghouse No. 1996071071) for the Calabasas Landfill Gas Collection System Master Plan was adopted in 1996.

Landfill gas is currently managed by utilizing nine flares at the flare station (SCAQMD Permit No. F18367) and ten 30 kW power-generating microturbines (SCAQMD Permit No. 399315). When the proposed gas-to-energy facility becomes operational, the flare station will serve as a backup system and the microturbines will be decommissioned.

The gas turbines will be guaranteed by the manufacturer to meet the existing best available control technology (BACT) emission standards and SCAQMD Rule 1150.1 volatile organics destruction efficiency requirements. Once installed, the goal is to optimize and reduce NOx emissions for turbines operating on low-BTU landfill gas. This will result in a long-term benefit to the environment.

The landfill gas compression and treatment system associated with the proposed gas-to-energy facility is designed to provide dry fuel gas to the turbines. The condensate (moisture) that accumulates in the landfill gas collection system is currently flared. After the startup of the gas-to-energy facility, landfill gas will be used for power generation so there will be limited availability of landfill gas for the flare system. Consequently, the proposed option is to discharge the condensate into the sanitary sewer on the south end of the landfill with pretreatment if required by Las Virgenes Water District.

Landfill gas typically possesses up to one-half the energy value of natural gas and, therefore, represents a valuable energy source. Each Solar Mercury 50 turbine will be designed to generate a gross output of 4.6 megawatts (peak). The proposed gas-to-energy facility would use approximately 7,500 scfm of landfill gas as a fuel source to produce a net output of about 12 megawatts (MW) of electricity with all three turbines operating, which would otherwise be flared. Based on the Puente Hills Landfill Gas-to-Energy facility, one MW is enough power to supply about 1,400 homes. The power generated from the gas-to-energy facility would be distributed to the local power grid through the Independent System Operator (ISO). To deliver this power to the local grid, transmission lines on the existing poles will be replaced with higher capacity lines. New poles may be installed along the existing alignment, which is not visible outside the Calabasas Landfill property due to the visual shielding from the hills.

The continuing rise and volatility of energy costs, potential for rolling blackouts, and current market conditions in California have created a critical need for reliable and economic electrical power from renewable energy sources. A rolling blackout occurred in September 2004 that affected local communities from Calabasas to Simi Valley, including the Calabasas Landfill. Warnings of rolling blackouts continue in 2006. A new landfill gas-to-energy project at the Calabasas Landfill would provide a reliable and cost effective source of power for Sanitation Districts' facilities that is not affected by fuel prices or market conditions. The development of this bioenergy also meets the intent of Executive Order S-06-6 issued by Governor Schwarzenegger on April 25, 2006, which

mandates greater use of biomass resources to produce renewable power to satisfy California's energy needs. The proposed gas-to-energy facility is considered an "in-state renewable electricity generation facility" as defined by the California Public Resources Code. The U.S. EPA also encourages this type of bioenergy facility since it reduces greenhouse gas (methane) associated with landfills and lessens the use of fossil fuels.

Findings: It is hereby found that the project will not have a significant effect on the environment and having considered the record as a whole, there is no evidence that the proposed project will individually or cumulatively have potential for an adverse effect on wildlife resources or the habitat upon which the wildlife depends. These findings are based upon the independent judgment of County Sanitation District No. 2 of Los Angeles County.

Initial Study: An Initial Study of this project was undertaken and prepared in accordance with the Local Procedures Implementing the California Environmental Quality Act (CEQA) as adopted by the County Sanitation Districts of Los Angeles County for the purpose of ascertaining whether this project might have a significant effect on the environment. A copy of such Initial Study is attached hereto and by reference incorporated herein. The Initial Study documents the reasons supporting the above findings.

Mitigation Measures: The following mitigation measures have been included in the project to avoid potentially significant effects:

No mitigation measures are required for this project.

Date: March 28, 2007

Stephen R. Maguin
Chief Engineer and General Manager

County Sanitation District No. 2 of Los Angeles County 1955 Workman Mill Road Whittier, CA 90601

NOTICE OF DETERMINATION

To:

County Clerk, County of Los Angeles

12400 East Imperial Highway

Room 2001

Norwalk, CA 92650

Subject:

Filing of Notice of Determination in Compliance With Section 21152 of the Public

Resources Code

Project Title:

Calabasas Landfill Gas-to-Energy Facility

Project Location:

The project is located at 5300 Lost Hills Road in Agoura, California, 91301, which is just

north of the Ventura Freeway (U.S. 101) in unincorporated Los Angeles County.

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in September 2004 that affected local communities from Calabasas to Simi Valley, including the Calabasas Landfill. Warnings of rolling blackouts continue in 2006. A new landfill gas-to-energy project at the Calabasas Landfill would provide a reliable and cost effective source of power for Sanitation Districts' facilities that is not affected by fuel prices or market conditions. The development of this bioenergy also meets the intent of Executive Order S-06-6 issued by Governor Schwarzenegger on April 25, 2006, which mandates greater use of biomass resources to produce renewable power to satisfy California's energy needs. The proposed gas-to-energy facility is considered an "in-state renewable electricity generation facility" as defined by the California Public Resources Code. The U.S. EPA also encourages this type of bioenergy facility since it reduces greenhouse gas (methane) associated with landfills and lessens the use of fossil fuels.

Contact Person:

Glenn Acosta

Telephone (562) 908-4288, extension 2723

This is to advise that on March 28, 2007, the Board of Directors of County Sanitation District No. 2 of Los Angeles County approved the above project and made the following determinations regarding the project:

- 1. The project will not have a significant effect on the environment, and that there is no evidence that the proposed project will individually or cumulatively have potential for an adverse effect on wildlife resources or the habitat upon which the wildlife depends.
- 2. A Negative Declaration, which reflects the independent judgment of County Sanitation District No. 2 of Los Angeles County, was prepared for this project pursuant to the provisions of the California Environmental Quality Act.

The Negative Declaration and record of project approval may be examined at the Sanitation District Office, 1955 Workman Mill Road, Whittier, California 90601.

Date: March 29, 2007

Stephen R. Maguin

Chief Engineer and General Manager

FIFTH AMENDMENT TO AMENDED JOINT POWERS AGREEMENT CALABASAS LANDFILL

THIS AMENDMENT TO AMENDED JOINT POWERS AGREEMENT ("Amendment") is made and entered into this ____ day of _____, 2006, by and between the COUNTY OF LOS ANGELES ("County") and COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY ("District"), with reference to the following facts:

RECITALS

- A. The County and District are parties to an Amended Joint Powers Agreement Calabasas Landfill, dated April 1, 1966, for the operation of the Calabasas Landfill, which agreement was subsequently amended on January 20, 1976, February 13, 1991, June 29, 1999, and December 6, 2005 (the "Agreement").
- B. The District possesses expertise and experience in developing landfill gas-to-energy projects and has proposed the development of a 13 megawatt project to produce renewable electricity from the landfill gas generated by the refuse disposed of at the Calabasas Landfill.
- C. The County and the District desire to provide for the possible development by the District of a landfill gas-to-energy project at the Calabasas Landfill as provided in this Amendment. The County and the District further desire to provide that the project's revenues will be the property of the District and will not be included in the landfill revenues that are pledged to secure the County's obligation to repay bonds under the Agreement.

AMENDMENT

NOW, THEREFORE, THE PARTIES AGREE as follows:

- 1. Section 21 is added to the Agreement to read as follows:
- 21. The District may develop a gas-to-energy project with a maximum capacity of 13 megawatts to produce renewable electricity from the landfill gas generated by the refuse disposed of at the Calabasas Landfill (the "Project") in accordance with the following terms and conditions:
 - a) In consideration of a one-time, nonrefundable payment of \$2,479,736.00 by the District to the County, the County grants, transfers, conveys, sells, and leases to the District, to the extent needed for the Project, the County's right, title, and interest in the landfill gas generated, produced, or created at the Calabasas Landfill together with all rights to use or develop the landfill gas into electrical energy. The County retains

all such rights that are in excess of the Project's requirements. The payment provided for in this section is an amount that has been negotiated between the parties and represents the present value of the landfill gas and all rights of use and development of the landfill gas over the first 15 years of operation based on a royalty rate of 5% of projected gross plant electricity sales during that 15-year period. The District's payment to the County shall in no way be contingent upon the Project's ability to operate or generate electricity in any specific amount, and represents full and final payment to the County for the rights granted in this subsection (a) for the entire period of Project operations, which the District and County acknowledge may continue for longer than 15 years. The County makes no representations regarding the quantity, quality, or ownership of the landfill gas, the rights to which are being conveyed to the District "as is."

- b) This Amendment does not obligate the District to develop the Project. If the District determines to proceed with the Project, the District shall pay the amount set forth in subsection (a) (\$2,479,736.00) to the County at such time as the District awards any contract for the construction of any portion of the Project, and the provisions of subsection (a) shall become effective upon payment. The District's payment shall be deposited in the Calabasas Net Economic Benefits Account in accordance with the terms of the Agreement.
- c) The District may develop the Project within the area shown on the attached Exhibit A or at such other location as may be agreed to by the District and the County. The Project shall not be located or operated in a manner that would substantially or unreasonably interfere with the operation of the Calabasas Landfill or with the County's rights under the Agreement.
- d) Upon the District's written request, the County shall provide to the District any and all requested on-site easements or other rights of use within the Calabasas Landfill site as may be reasonably necessary for development, construction, operation and maintenance of the Project, for utilities necessary to serve the District's Project, including but not limited to electricity, natural gas, telephone service, and water, and for any mitigation measures adopted for the Project as of the date of this Amendment or thereafter required by a permitting or regulatory agency as a condition of its approval of the Project or in the exercise of its regulatory control over the Project; provided that the District shall not use any easement or other right of use in a manner that would substantially or unreasonably interfere with the operation of the Calabasas Landfill or with the County's rights under the Agreement.
- e) Upon commencement of the Project, the District's right to extract landfill gas and operate the Project may continue to be exercised

by the District until the District's Chief Engineer and General Manager determines, in his or her sole discretion, that the conversion of landfill gas into energy is no longer economically feasible. It is understood and agreed that the production of landfill gas at the Calabasas Landfill and the operation of the Project shall extend beyond the time that refuse disposal operations will occur at the site. Without relieving the District of its obligations under the Agreement, the District may contract with others for the construction, operation, and maintenance of the Project.

- f) Upon termination of the Project, the District shall, at its expense, remove all Project facilities and take whatever other action is required by law and leave the site in the condition required by Section 11 of the Agreement insofar as possible in light of the type of activity and the disturbance of the terrain necessitated by the Project.
- g) The District shall be responsible for obtaining and maintaining all permits and approvals for the construction, operation and maintenance of the Project at the District's sole cost and expense. Said obligation shall be in addition to the District's obligation to pay all costs and expenses incurred in the design, construction, and development of the Project, including all financing, startup, operation and maintenance expenses.
- In addition to and without interfering with or in any way limiting the parties' existing obligations under Section 16 of the Agreement, and notwithstanding the provisions of Government Code Section 895, et seq., the District shall defend, indemnify, and hold the County, its officers, officials, supervisors, employees, agents, and special districts, harmless from any claims, expenses, losses, or damages, including expert and attorney's fees, arising out of the design, construction, operation, and/or maintenance (or lack thereof) of the Project, including, without limitation, in connection with any violation or alleged violation of any permit, regulation, or approval relating to the design, construction, operation, and/or maintenance of the Project, and/or, in regard to the Project only, pursuant to or under the Comprehensive Environmental Response Compensation and Liability Act of 1980, 42 USC 9601, et seq., the California Carpenter-Presley-Tanner Hazardous Substance Account Act, Health and Safety Code Section 25300, et seq., California Civil Code Section 851, et seq., and all federal, state, and local environmental and other laws affecting or relating to the Project.
- i) The District shall receive and own all revenues derived from the Project including but not limited to revenues for electricity produced, capacity payments, and renewable energy credits. Such revenues shall not be encumbered by this Amendment, nor in any other way, nor shall the County have any interest in such revenues and such revenues may be

expended by the District in any manner that the District deems to be appropriate.

- 2. In the event that the District does not commence construction of the Project within 5 years from the date of this Amendment, the County shall have the right to immediately terminate this Amendment or to renegotiate the amount of the payment provided for under Section 21(a), in the County's sole discretion.
- 3. Except as otherwise provided, all terms and conditions of the Agreement shall remain in full force and effect.

(This space intentionally left blank.)

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date and year set forth above.

COUNTY OF LOS ANGELES

COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY

Board of Supervisors

Chairperson Board of Directors DEC 1 3 2006

ATTEST:

ATTEST:

SACHI HAMAI

Executive Officer-Werk of the Board

Deputy

APPROVED AS TO FORM:

LEWIS BRISBOIS BISGAARD & SMITH LLP

By:

District Counsel

Thereby certify that pursuant to Section 25103 of the covernment Code, delivery of this duct much had been made.

RAYMOND G. FORTNER, JR.

County Counsel

Deputy

SACHIA, HARV.,

Executive Onicar

Clerk of the Board of Supervisors

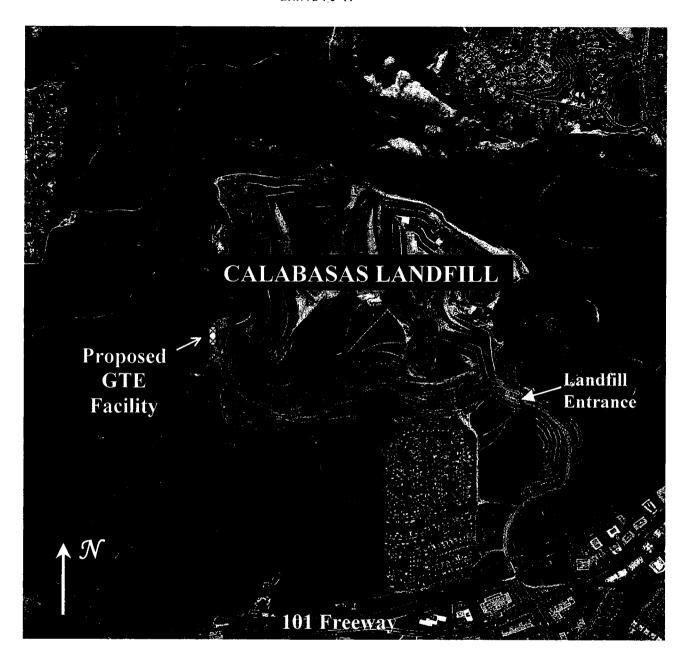
Deputy



AUG 2 8 2007

EXECUTIVE OFFICER

AUG 28 2007



Calabasas Gas to Energy Facility

Calabasas Landfill 5300 Lost Hills Road Agoura, California